

## Rating Report

**Brickwork Ratings Revises ratings to 'BWR BBB-' & 'BWR A3' for the Bank Loan Facilities amounting to 38.38 Crores of Prem Textiles International Pvt Ltd. ("PTIPL" or "the Company").**

Brickwork Ratings has revised following **Ratings<sup>1</sup>** for the bank loan facilities of Prem Textiles International Pvt Ltd as follows.

Facilities (State Bank of India)	Previous Amount Mar-2015	Amount To be Rated (Cr)	Tenure	Rating History March-2015	Present Rating
Fund Based			<b>Long Term</b>	BWR BB+ (Pronounced as BWR Double B Plus ) Outlook: Stable	<b>Revised to BWR BBB- (Pronounced as BWR Triple B Minus ) Outlook: Stable</b>
CC	22	<b>27</b>			
Slc	2.25	<b>2.25</b>			
Corporate Loan*	-	<b>0.45</b>			
Term Loan*	0.9	<b>2.43</b>			
<b>Total Fund Based</b>	25.15	<b>32.13</b>			
Non Fund Based			<b>Short Term</b>	BWR A4+ (Pronounced as BWR B Four Plus)	<b>Revised to BWR A3 (Pronounced as BWR A Three )</b>
LC	3	<b>3</b>			
BG	0.25	<b>0.25</b>			
CEL	2.26	<b>3</b>			
<b>Total Non Fund based</b>	5.51	<b>6.25</b>			
<b>Amount Rated</b>	30.66	<b>38.38</b>	<b>Thirty Eight Crores &amp; Thirty Eight Lakhs only</b>		

\*O/S amount s on 14/12/2015

BWR has essentially relied upon audited financial's of FY13, FY14 and FY15, provisional of FY 16 first half and projections of FY17 & publicly available information and information/clarification provided by the management.

The revision of ratings has factored promoter's significant experience in the textile industry, company's established customer base in key international market, healthy debt protection metrics and improvement in profit margins. The rating is however constrained by profitability susceptible to volatility in cotton & yarn prices, working capital intensive nature of operations, highly regulated nature of the textile industry and intense competition from organized as well as unorganized players.

### Background:

PTIPL was incorporated as a limited company in December 2006 by Mr Subhash Chand Jain.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Subsequently it was converted to a private limited company in the year 2008 PTIPL merged two group entities with itself namely M/s Prem Textiles a partnership concern and M/s Samaria Processing Company Private Limited. The company is based in Indore, Madhya Pradesh and is engaged in the manufacturing and export of home textile products like bed covers, bed sheets, pillow covers, quilts covers etc. The processing facilities of the company are located at Indore and Barwaha in Madhya Pradesh.

### **Financial Performance:**

The Company has posted operating income of Rs. 138.69 Crs in FY15 as against Rs. 156.01 Crs in FY14 resulting into a decrease in the top line by @11% which is due to inventory valuation losses on a 20% decline in cotton prices in FY15, company has achieved a turnover of 88.12 Crs in FY16 first half. The operating profit margins stood at 6.86 percent in FY 15 as against 6.67 Percent in FY 14. The Firm has reported a profit of Rs. 2.86 Crs in FY15 as against profit of Rs. 2.66 Crs in FY14. The tangible net worth of the Company reported at Rs. 25.59 Crs in FY15.

### **Outlook – Stable**

The outlook for the company is expected to be stable over the next twelve months. Going forward, the ability of the company to consistently increase its revenue and manage the inventory, sustain the improvement in profitability & manage its working capital efficiently would be the key rating sensitivities.

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**Prem Textiles International Pvt Ltd**  
**Annexure 1: P&L Account**

<b>Profit and Loss Account</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Result Type</b>	Audited	Audited	Audited	Audited	Projected	Projected
Gross Sales	107.93	101.76	144.56	130.04	145.50	176.40
<b>Net Sales</b>	<b>107.93</b>	<b>101.76</b>	<b>144.56</b>	<b>130.04</b>	<b>145.50</b>	<b>176.40</b>
Other Operating Income	8.88	8.96	11.45	8.65	11.00	12.50
<b>Total Operating Income</b>	<b>116.81</b>	<b>110.72</b>	<b>156.01</b>	<b>138.69</b>	<b>156.50</b>	<b>188.90</b>
Raw Material Consumed	83.86	76.69	115.25	99.94	107.75	130.75
Change In Inventory (Increase)/Decrease	0.89	1.52	-0.97	-3.86	-1.11	-2.25
Power and Fuel Expenses	3.06	4.24	3.73	5.32	6.00	7.25
Employee Cost	3.63	4.27	5.54	6.99	9.25	11.25
Manufacturing Expenses	8.30	9.05	10.60	9.84	11.25	13.25
<b>Cost of Goods Sold</b>	<b>99.75</b>	<b>95.76</b>	<b>134.15</b>	<b>118.24</b>	<b>133.14</b>	<b>160.25</b>
Selling, General and other Administrative expenses	9.67	9.13	11.45	10.94	10.50	12.00
<b>Operating Expenses</b>	<b>109.42</b>	<b>104.89</b>	<b>145.61</b>	<b>129.18</b>	<b>143.64</b>	<b>172.25</b>
<b>OPBDIT</b>	<b>7.39</b>	<b>5.83</b>	<b>10.40</b>	<b>9.51</b>	<b>12.86</b>	<b>16.65</b>
Depreciation/Amortization/Impairment	1.67	1.76	1.93	2.10	2.50	3.00
<b>OPBIT</b>	<b>5.72</b>	<b>4.07</b>	<b>8.47</b>	<b>7.41</b>	<b>10.36</b>	<b>13.65</b>
Interest and Finance Charges	3.34	3.32	3.44	4.42	5.00	6.50
<b>OPBT</b>	<b>2.38</b>	<b>0.75</b>	<b>5.04</b>	<b>2.99</b>	<b>5.36</b>	<b>7.15</b>
Non Operating Income(Expenses)	0.11	0.74	-0.99	1.26	0.10	0.10
<b>PBT</b>	<b>2.49</b>	<b>1.49</b>	<b>4.05</b>	<b>4.25</b>	<b>5.46</b>	<b>7.25</b>
Extraordinary/Prior Period - Income(Expense)	-0.05	-0.03	-0.01	-0.01	0.00	0.00
Provision for Taxes	0.83	0.51	1.38	1.38	1.70	2.20
<b>PAT</b>	<b>1.60</b>	<b>0.95</b>	<b>2.66</b>	<b>2.86</b>	<b>3.76</b>	<b>5.05</b>
<b>Net Cash Accruals</b>	<b>3.27</b>	<b>2.70</b>	<b>4.59</b>	<b>4.96</b>	<b>6.26</b>	<b>8.05</b>

**Prem Textiles International Pvt Ltd**  
**Annexure 2: Balance Sheet**

Balance Sheet	FY12 Audited	FY13 Audited	FY14 Audited	FY15 Audited	FY16 Projected	FY17 Projected
<b>Liabilities</b>						
<b>EQUITY AND RESERVES</b>	<b>14.89</b>	<b>18.05</b>	<b>20.70</b>	<b>25.59</b>	<b>29.35</b>	<b>34.40</b>
Share capital	8.27	9.36	9.36	10.26	10.26	10.26
Reserves and Surplus	6.62	8.69	11.35	15.32	19.09	24.14
<b>Non-current liabilities</b>	<b>6.77</b>	<b>5.75</b>	<b>7.11</b>	<b>20.90</b>	<b>25.69</b>	<b>23.46</b>
Long-Term Borrowings	6.30	5.35	6.76	20.63	25.43	23.20
Deferred tax Liabilities (Net)	0.47	0.40	0.35	0.26	0.26	0.26
<b>Current liabilities</b>	<b>28.31</b>	<b>44.96</b>	<b>37.79</b>	<b>35.45</b>	<b>33.57</b>	<b>38.99</b>
Short-Term Borrowings	18.14	27.51	24.46	21.63	22.00	26.00
Current Portion Of Long Term Debt	0.65	0.67	1.02	1.21	2.49	2.23
Trade Payables	8.14	14.89	9.20	10.04	7.38	8.56
Other Current Liabilities	0.47	1.30	1.68	1.11	0.00	0.00
Short-Term Provisions	0.91	0.58	1.44	1.46	1.70	2.20
<b>Total Liabilities</b>	<b>49.97</b>	<b>68.76</b>	<b>65.60</b>	<b>81.94</b>	<b>88.61</b>	<b>96.85</b>
<b>ASSETS</b>						
<b>Non-current assets</b>	<b>18.21</b>	<b>17.62</b>	<b>19.28</b>	<b>31.74</b>	<b>41.77</b>	<b>38.77</b>
Net Fixed assets	17.88	17.23	18.80	19.71	41.22	38.22
Capital Work-In-Progress	0.00	0.00	0.00	11.49	0.00	0.00
Other Non Current Assets	0.33	0.39	0.48	0.55	0.55	0.55
<b>Current assets</b>	<b>31.76</b>	<b>51.14</b>	<b>46.32</b>	<b>50.19</b>	<b>46.84</b>	<b>58.08</b>
Current Investments	0.00	0.00	0.00	0.00	0.35	0.35
Inventories	17.35	29.38	23.40	27.69	28.80	34.80
Trade Receivables > Six Months	0.63	0.64	0.34	0.15	0.00	0.00
Trade Receivables < Six Months	7.28	8.35	8.05	4.56	8.57	10.49
Cash and Cash Equivalents	0.05	1.60	0.15	0.34	0.12	1.44
Short-Term Loans and Advances	5.93	10.49	11.88	14.28	9.00	11.00
Other Current Assets	0.50	0.68	2.51	3.18	0.00	0.00
<b>Total Assets</b>	<b>49.97</b>	<b>68.76</b>	<b>65.60</b>	<b>81.94</b>	<b>88.61</b>	<b>96.85</b>

**Prem Textiles International Pvt Ltd**  
**Annexure 3: Ratio Analysis**

Ratio Analysis	FY12 Audited	FY13 Audited	FY14 Audited	FY15 Audited	FY16 Projected	FY17 Projected
Long Term Borrowings	6.30	5.35	6.76	20.63	25.43	23.20
Short Term Borrowings	18.14	27.51	24.46	21.63	22.00	26.00
Current Portion Of Long Term Debt	0.65	0.67	1.02	1.21	2.49	2.23
Total Debt	25.08	33.53	32.24	43.48	49.92	51.43
Tangible Net Worth	14.88	18.05	20.70	25.59	29.35	34.40
Capital Employed	40.43	51.98	53.29	69.33	79.53	86.09
Total Debt/TNW	1.69	1.86	1.56	1.70	1.70	1.50
Long Term Debt/TNW	0.42	0.30	0.33	0.81	0.87	0.67
TOL/TNW	2.26	2.76	2.07	2.13	2.02	1.82
ISCR	2.21	1.75	3.03	2.15	2.57	2.56
DSCR	1.98	1.52	1.95	1.72	1.81	1.62
Net Cash Accruals/Total Debt	0.13	0.06	0.19	0.09	0.13	0.16
Net Cash Accruals/Long Term Debt	0.52	0.40	0.90	0.19	0.25	0.35
Net Profit Margin	1.37	0.85	1.70	2.06	2.40	2.67
Operating Profit Margin	6.33	5.26	6.67	6.86	8.22	8.81
ROCE	14.15	8.81	16.10	12.09	13.92	16.48
Current Ratio	1.12	1.14	1.23	1.42	1.40	1.49
Days Receivables	27	30	22	18	17	20
Days Inventory	63	89	72	79	77	72
Days Payable	21	26	21	20	19	14
Conversion Cycle	69	94	73	77	75	79